1 September 2020

Czech economy decreased by 8.7%, q-o-q

## GDP resources and uses – the second quarter of 2020

According to the refined estimate, the gross domestic product decreased by 8.7%, quarter‑on‑quarter, in the Q2 2020 and by 11.0%, year-on-year. The negative GDP development was caused mainly by a decrease in external demand.

The refined estimate confirmed the worst performance of the Czech economy ever. The **gross domestic product** (GDP) adjusted for price effects and seasonally adjusted[[1]](#footnote-1) **was by 8.7% lower, quarter-on-quarter (q-o-q). In the year-on-year (y-o-y) comparison, the GDP decreased by 11.0%.**

The **gross value added** (GVA) **decreased by 9.4%, q-o-q.** The GVA decreased in all economic activities of the national economy; in manufacturing it decreased by 14.7%, in a group of economic activities of trade, transportation and storage, and accommodation and food service activities it decreased by 17.5%, and in other service activities by 23.1%. In the **year-on-year** comparison, **the GVA decreased by 10.9%**. The GVA formation decrease was influenced the most by the development in manufacturing (negative contribution -4.6 p. p., drop by 18.2%) and in the group of economic activities of trade, transportation and storage, and accommodation and food service activities (-3.8 p. p., drop by 20.5%). A positive contribution came from information and communication (0.1 p. p. with an increase by 1.1%).

**On the demand side**, the y-o-y decrease of GDP in the Q2 was influenced mainly by lower external demand, but also by decreasing consumption expenditure and capital expenditure. The y-o-y drop of GDP by 11.0% was negatively contributed to by household consumption
(-2.0 p. p. [[2]](#footnote-2)), investment expenditure (-0.2 p. p.), and by external demand (-7.9 p. p.). A positive contribution came from the increasing general government expenditure (0.4 p. p.).

**Final consumption expenditure** decreased by 4.8%, both q-o-q and y-o-y. Of that, consumption expenditure of **households** decreased by 6.3% in reals terms compared to the Q1 2020 and by 7.6% in comparison to the corresponding quarter of the previous year. Especially consumption of durable and semi-durable goods slackened as well as expenditure on services. **Final consumption expenditure of general government** decreased by 1.5%, q-o-q, and increased by 1.8%, y-o-y.

**Gross fixed capital formation** increased by 0.9%, q-o-q. In the y-o-y comparison it decreased by 4.8%. As for the type of assets, only investments in other buildings and structures strengthened; the deepest slump was in investments in machinery and transport equipment.

The **international trade balance** at current prices decreased by CZK 56.5 bn, y-o-y, in the Q2 2020 to CZK 44.1 bn, which was the lowest value since the Q2 2012. Exports of goods and services decreased by 20.7%, q-o-q; in the y-o-y comparison, it decreased by 23.3%.
The year-on-year decrease of exports was influenced mainly by trade in rubber and plastic products, machinery and equipment, and transport equipment. Imports of goods and services dropped by 17.6%, q-o-q; in the y-o-y comparison it decreased by 18.2%. The following contributed significantly to the y-o-y development of imports: decrease in import of crude oil and natural gas, basic metals, machinery and equipment, and sub‑deliveries for the automotive industry.

As for the price development in the Q2 2020, the total GDP deflator reached 4.2%, y-o-y.

The volume of labour costs[[3]](#footnote-3) decreased by 2.3%, y-o-y, in the Q2 2020.

In the Czech Republic, in the Q2 2020, 5 340 thousand persons were employed[[4]](#footnote-4) in average. The **total employment** **decreased by 1.4%,** **q-o-q; in the y-o-y comparison it decreased by 1.9%.** The number of hours worked was by 7.8% lower, q-o-q, and in the y-o-y comparison it dropped by 10.7%.

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Time series: <https://www.czso.cz/csu/czso/hdp_ts>

The News Release web page: <https://www.czso.cz/csu/czso/quarterly-national-accounts-gdp-resources-and-uses-and-gdp-preliminary-estimate>

*Next Release will be published on: 30 October 2020*

*(GDP preliminary estimate for the third quarter of 2020)*

1. *Unless otherwise stated, all data presented in this news release are adjusted for price, seasonal, and calendar effects.*  [↑](#footnote-ref-1)
2. *Contributions to the GDP growth (imports for final use excluded).* [↑](#footnote-ref-2)
3. *At current prices, not seasonally adjusted.* [↑](#footnote-ref-3)
4. *In terms of national accounts.*  [↑](#footnote-ref-4)